

EX PARTE OR LATE FILED



June 30, 1998

Ms. Magalie Salas
Secretary
Federal Communications Commission
1919 M Street, NW, Room 222
Washington, D.C. 20554

Re: Ex Parte Presentation in Docket 98-79

VIA OVERNIGHT COURIER

Dear Ms. Salas:

I am enclosing an original and three copies of an ex parte I submitted today to Jane Jackson and David Hunt of the Competitive Pricing Division of the Common Carrier Bureau. Please include this letter and the attached materials in the record of the above-referenced docket.

Please date-stamp the extra copy of the attached submission and return it in the enclosed envelope. Thank you for your assistance in this matter.

Sincerely yours,

Steven Gorosh
Vice-President & General Counsel

cc: Jane Jackson
David Hunt

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List A B C D E

**Questions Seeking Additional Cost Support Regarding GTOC
Transmittal No. 1148 to Introduce ADSL Service
Docket 98-79**

I. Questions Related to Loop Costs: The following questions seek information on how GTE has treated loop-related costs in its ADSL service studies. These questions also seek to compare GTE's treatment of loop-related costs in its proposed tariff with its charges to competitive carriers for ADSL-capable loops.

- A. Where GTE is deploying a splitter to provide both voice and data services over a single loop, is it GTE's contention that no cost associated with the local exchange service loop should be allocated or assigned to GTE's retail ADSL service? If "yes," please explain the basis for that contention. If "no," please identify specifically how GTE has allocated or included any portion of the cost of the local exchange loop in its ADSL cost studies and explain the basis for that allocation.
- B. Does GTE's proposed ADSL tariff permit it to provision dedicated ADSL service (i.e., ADSL without splitter technology) over loops that are not also used for exchange service? If "yes," please identify how GTE proposes to charge for this service.
- C. Does GTE contend that its proposed ADSL service will cause it to incur any incremental labor cost related to the outside plant used to provision local loops (e.g., removal of load coils, elimination of bridge tap or the installation of specialized plug in electronics in a digital loop carrier system)? If "yes," please identify specifically which loop plant related labor costs are included in GTE's ADSL service cost studies.
- D. Does GTE contend that its proposed ADSL service will cause it to incur any incremental material cost related to the outside plant used to provision local loops (e.g., cable, support structures or loop electronics)? If "yes," please identify specifically which loop plant costs are included in GTE's ADSL service cost studies.
- E. Is it GTE's position that any of the following factors cause ADSL-capable loops to have a higher incremental cost than loops used to provide basic exchange services? If "yes," please explain specifically how GTE has treated each factor in the cost study for its retail ADSL service.
 - 1) ADSL service reduces possible fill levels or can increase the need to rearrange outside plant facilities because it limits the number of copper cable pairs that can be used within a given cable sheath (particularly where other services, such as ISDN and T1 are carried within the same binder group). In particular, must GTE determine which other service types are carried by the cable(s) that serve the end user CDL to determine if ADSL might interfere with other services.
 - 2) ADSL requires special test equipment and test procedures to properly test the loop to the more exacting standards of digital transmission. In particular, must GTE check the length of the loop and other characteristics of the cables (e.g., load coils, bridge tap) in order to determine whether the facilities in place qualify for ADSL service.

- 3) End user customers whose basic exchange service loops are provided on fiber facilities with Digital Loop Carrier systems may have to be moved to parallel copper loops that are not on DLC systems.
 - 4) If the end user customer's existing local exchange service loop(s) do not qualify for ADSL service for any other reason, is it GTE's intention to refuse to provide ADSL service in every case? If "no," explain what steps GTE will take to make the end user's loop(s) ADSL-qualified, and answer the above questions for each such step.
 - 5) Since analog service and digital service have different loop performance requirements, different provisioning procedures and different maintenance procedures, it would be appropriate for different cost factors to be used for each type of loop, therefore justifying different prices.
- F. For each of the 14 states in which GTE proposes to offer ADSL service, state whether GTE makes available to CLECs an unbundled loop that can be used to provide DSL services. Identify with particularity each of the recurring and non-recurring charges that GTE assesses for these loops in each state.
- G. Are there any special conditioning charges (e.g., for removal of load coils, bridge taps or SLCs) that GTE charges CLECs for unbundled loops used to provide DSL service in addition to the charges listed above in I(F)? If so, identify with particularity each such charge.
- H. Explain whether all state-specific loop charges GTE imposes on CLECs seeking an unbundled xDSL loop (e.g., conditioning charges) are reflected in the cost support study GTE submitted to the FCC. If "yes," identify specifically which costs are included in GTE's in GTE's ADSL service cost studies.

II. Questions Related to Collocation Costs: The following questions are intended to gather data necessary to determine whether GTE's ADSL prices include an appropriate allowance for the collocation rates that GTE charges to ADSL competitors.

- A. In each of the 14 states in which GTE proposes to offer ADSL service, identify each of the recurring and non-recurring collocation charges that GTE would assess a CLEC purchasing the physical collocation space necessary to offer ADSL service.
- B. Has GTE imputed any such collocation costs or charges into its retail ADSL tariff? If "yes," please identify each such charge and explain how it has been reflected in the tariffed price. If "no," please explain the basis for excluding such charges.

III. Questions Related to Transport Costs Between the end user's customer's serving wire center and GTE's "ADSL connection point": The following questions are intended to gather data necessary to determine whether GTE's proposed tariff prices include an appropriate allowance for such transport.

- A. GTE's ADSL service requires transport from a wire center in which GTE has collocated its DSL equipment to a regional "ADSL connection point". Please identify specifically where and how these costs are included in GTE's ADSL cost studies.

- B. In each of the 14 states in which GTE proposes to offer ADSL service, identify with particularity each of the recurring and non-recurring charges that GTE assesses to CLECs for unbundled network elements required to provide comparable transport between a Central Office in which a CLEC has collocated DSL equipment and the DSL CLEC's regional node.
- C. Does GTE believe that it should impute into its price floor for ADSL any contribution above its forward-looking, long-run incremental cost that it receives from the rate it charges competitors for the unbundled facilities and equipment required to provide ADSL Transport?

IV. Questions Related to Transport Between GTE's ADSL Connection Point and an Internet Service Provider Customer: the following questions seek to determine what additional transport costs are relevant to GTE's ADSL service (e.g. transport between GTE's ADSL connection point and an Internet service provider) and to compare those costs to GTE's charges to competitive carriers for the same facilities.

- A. Does GTE consider the transport between GTE's "ADSL connection point" and an Internet Service Provider as part of the ADSL service that is provided at the rates set forth in GTE's proposed tariff? If so, list the exact charges (from any applicable tariff) for the service in each of the fourteen states.
- B. In each of the 14 states in which GTE proposes to offer ADSL service, identify with particularity each of the recurring and non-recurring charges that GTE assesses to competitive carriers for the frame relay service(s) between a point similar to the "ADSL connection point" and an Internet service provider.

V. Questions Related to Non-Recurring Costs: The following questions seek information necessary to understand GTE's non-recurring cost study. These questions also seek to compare GTE's treatment of non-recurring costs in its retail studies with its non-recurring charges to competitive carriers for ADSL-capable loops. In several instances the questions contrast GTE's proposed tariffed rates (and the supporting cost study) with the inconsistent position it has taken in front of the California Public Utilities Commission.

- A. Provide a detailed diagram showing all of the equipment and facilities that GTE will use to provide each of the following ADSL services. Include all GTE-provided facilities and equipment from the end user customer's location through the termination at GTE's ADSL Connection Point for:
 - 1) ADSL Bronze Service
 - 2) ADSL Silver Service
 - 3) ADSL Gold Service
 - 4) ADSL Platinum Service
 - 5) ADSL Platinum Plus Service
- B. Provide a flowchart or detailed description of each activity that GTE must undertake to provision ADSL service. GTE's response should encompass the entire ordering and provisioning process from receiving the end user request, fact finding and generating a service order, through service installation and the generation of a billing record.

- C. For GTE's ADSL cost study of the "Non-Recurring Charge for DSL Solutions," please provide a detailed description of all procedures and a complete itemization of individual tasks and task times that make up the total reported on line 1 as "Installation of Splitter and Splitter Housing." Please also provide a complete copy of the original source documentation (e.g., time and motion studies, TOC data) and any related work papers or calculations that GTE used to develop each individual component task time of the total Labor Hours reported on line 1.
- D. For GTE's ADSL cost study of the "Non-Recurring Charge for DSL Solutions," please provide a detailed description of the procedures and a complete itemization of individual tasks and task times that make up the total reported on line 7 as "Customer Modem Setting Labor." Please also provide a complete copy of the original source documentation (e.g., time and motion studies, TOC data) and any related work papers or calculations that GTE used to develop each individual component task time of the total Labor Hours reported on line 7.
- E. Please explain why the total time reported on lines 1 and 7 of GTE's cost study of the "Non-Recurring Charge for DSL Solutions" is identical for GTE's Bronze, Silver, Gold and Platinum, even though the total investment is different for each of these levels of service. Please provide a complete copy of any documentation that GTE believes supports the assertion that the total non-recurring labor time is identical for each service type.
- F. At Original Page 321.28, Section 16.6(B) of GTE's proposed tariff, GTE specifies that it will "qualify the ADSL Service between the CDL and the serving wire center." Please define what is meant by "qualify" and list all procedures used to "qualify the ADSL service." Is it GTE's contention that it will not incur any cost associated with the service qualification process? If GTE believes that it will not incur any cost to qualify the ADSL Service, provide the basis for GTE's belief. If GTE does believe that it will incur costs to qualify the ADSL service, identify specifically what costs are incurred and identify how that cost is reflected in GTE's cost study.
- G. Is it GTE's contention that it does not incur any cost to provide preordering functions for its retail ADSL Service? If GTE believes that it will not incur any preordering cost, provide the basis for GTE's belief. If GTE does believe that it will incur preordering costs, please identify specifically how much cost is incurred and provide a detailed explanation regarding how that cost is reflected in GTE's non-recurring cost study for its retail ADSL service.
- H. Is it GTE's contention that it does not incur any cost to process service orders for its retail ADSL Service? If GTE believes that it will not incur any service order processing cost, provide the basis for GTE's belief. If GTE does believe that it will incur service order processing costs, identify specifically how much cost is incurred and provide a detailed explanation regarding how that cost is reflected in GTE's non-recurring cost study for its retail ADSL service.
- I. Supply the summary results of the non-recurring cost study for unbundled network elements that GTE submitted to the California Public Utilities Commission on September 15, 1997.

- J. Using the same definitions as GTE used in the non-recurring cost study for unbundled network that is submitted to the California Public Utilities Commission on September 15, 1997 to develop GTE's answers to the following questions.
- 1) Does GTE consider the local loop facility to which GTE adds ADSL a non-engineered-simple, non-engineered-complex, engineered-basic or engineered-complex service type?
 - 2) Does GTE consider its retail ADSL service a non-engineered-simple, non-engineered-complex, engineered-basic or engineered-complex service type?
 - 3) Will GTE incur any "Provisioning and Dispatch" costs to process service orders for its retail ADSL Service? If GTE believes that it will not incur any "Non-engineered Provisioning and Dispatch" cost, provide the basis for GTE's belief. If GTE does believe that it will incur "Non-engineered Provisioning and Dispatch" costs, identify specifically how much cost is incurred and indicate where that cost is reflected in GTE's non-recurring cost study for its retail ADSL service.
 - 4) Will GTE incur any "Installation" cost to process service orders for its retail ADSL Service? If GTE believes that it will not incur any "Installation" cost, provide the basis for GTE's belief. If GTE does believe that it will incur "Installation" costs, identify specifically how much cost is incurred and provide a detailed explanation regarding how that cost is reflected in GTE's non-recurring cost study for its retail ADSL service.

VI. Questions Related to GTE's Reported Recurring ADSL Equipment Costs: The following questions ask for details that are necessary to understand GTE's total reported recurring ADSL equipment costs. (The Responses to V(A) and V(B) should be supplemented if necessary to answer these questions.)

- A. Please provide a detailed description of the procedure that GTE used to develop the total reported on line 3 as "Central Office Equipment Material" of its ADSL cost study for the Rate Element for each ADSL service level (Bronze, Silver, Gold, Platinum & Platinum Plus).
- B. For the ADSL cost study of the Rate Element for each service level (Bronze, Silver, Gold, Platinum & Platinum Plus), please provide a complete itemization of the component costs that make up the total reported on line 3 as "Central Office Equipment Material." Please also provide a complete copy of the original source documentation and any related work papers or calculations that GTE used to develop each component of the total reported on line 3 as "Central Office Equipment Material."

VII. Questions Related to GTE's Reported Recurring Labor Costs: The following questions ask for details that are necessary to understand GTE's total reported recurring hours of installation labor.

- A. Please provide a detailed description of the procedure that GTE used to develop the total Labor Hours reported on line 15 as "Central Office Equipment Installation Labor" of GTE's ADSL cost study of the Rate Element for each service level (Bronze, Silver, Gold, Platinum & Platinum Plus).
- B. For GTE's ADSL cost study of the Rate Element for each service level (Bronze, Silver, Gold, Platinum & Platinum Plus), please provide a complete itemization of

individual tasks and task times that make up the total reported on line 15 as “Central Office Equipment Installation Labor.” Please also provide a complete copy of the original source documentation (e.g., time and motion studies, TOC data) and any related work papers or calculations that GTE used to develop each individual component task time of the total Labor Hours reported on line 15.

VIII. Questions Related to GTE’s Reported Cost Factors: The following questions ask for details that are necessary to understand how the cost factors applied in GTE’s ADSL studies were developed and whether they accurately reflect all of the annual costs that GTE will incur to provide ADSL service.

A. General Cost Factor Questions

- 1) Please identify what maintenance costs GTE incurs to provide its ADSL service. How are those costs included in GTE’s cost studies?
- 2) Please identify what engineering and design costs GTE incurs to provide its ADSL service. How are those costs included in GTE’s cost studies?
- 3) Please identify what sales costs, including agent commissions and sales incentives, GTE incurs to provide its ADSL service. How are those costs included in GTE’s cost studies?
- 4) Please explain why GTE believes that it is appropriate to subtract its total monthly “Administration/Marketing” cost (line 28) from its total “Fully Allocated Monthly Cost” (line 34) to develop the reported “Unit Cost” in its cost study for the Rate Element “ADSL Bronze – Month to Month?”

B. Depreciation Factor Questions

- 1) Please provide a detailed description of how the “Central Office Equipment Depreciation” value shown on Line 24 of GTE’s ADSL cost study of the Rate Element “ADSL Bronze – Month to Month” was developed.
- 2) Please provide the specific formula that GTE used to develop the “Monthly Present Value Cost” for “Central Office Equip. Material” in GTE’s ADSL cost study of the Rate Element “ADSL Bronze – Month to Month.”
- 3) Please provide a detailed description of how the formula that GTE used to develop the “Monthly Present Value Cost” for “Central Office Equip. Material” in GTE’s ADSL cost study of the Rate Element “ADSL Bronze – Month to Month” was developed and of the intended function of each term in that formula.
- 4) Using the specific values in GTE’s ADSL cost study of the Rate Element “ADSL Bronze – Month to Month,” please provide a detailed explanation of why GTE’s calculation of the “Monthly Present Value Cost” varies based on the service term and volume commitment. Please insure that GTE’s explanation provides sufficient detail to allow parties to derive the value that

GTE actually used in its studies for each service term and volume commitment.

- 5) Please provide the specific formula that GTE used to develop the “Monthly Present Value Cost” for “Central Office Equip. Installation” in GTE’s ADSL cost study of the Rate Element “ADSL Bronze – Month to Month.”
- 6) Please provide a detailed description of how the formula that GTE used to develop the “Monthly Present Value Cost” for “Central Office Equip. Installation” in GTE’s ADSL cost study of the Rate Element “ADSL Bronze – Month to Month” was developed and of the intended function of each term in that formula.

C. Return Factor Questions

- 1) Please provide the specific formula that GTE used to develop the “Return” value shown on Line 25 in GTE’s ADSL cost study of the Rate Element “ADSL Bronze – Month to Month.”
- 2) Please provide a detailed description of how the formula that GTE used to develop the “Return” on Line 25 in GTE’s ADSL cost study of the Rate Element “ADSL Bronze – Month to Month” was developed and of the intended function of each term in that formula.

D. Tax Factor Questions

- 1) Please provide the specific formula that GTE used to develop the factor it uses to determine the “Federal and State Income Tax” value shown on Line 26 in GTE’s ADSL cost study of the Rate Element “ADSL Bronze – Month to Month.”
- 2) Using the specific values in GTE’s ADSL cost study of the Rate Element “ADSL Bronze – Month to Month,” please provide a detailed explanation of why the factor that GTE uses to determine the “Federal and State Income Tax” values shown on Line 26 of its cost studies varies based on the service type (Bronze, Silver, Gold and Platinum), service term and volume commitment. Please insure that GTE’s explanation provides sufficient detail to allow parties to derive the value that GTE actually used in its studies for each service type, term and volume commitment.

D. Maintenance Factor Questions

- 1) Please provide a detailed breakdown of the specific types of cost that are reflected in the “Maintenance” annual cost shown on Line 27 of GTE’s ADSL cost studies.
- 2) Please provide the specific formula or factor that GTE used to develop the “Maintenance” value shown on Line 27 in GTE’s ADSL cost study of the Rate Element “ADSL Bronze – Month to Month.”

- 3) Please provide a detailed description of how the formula or factor that GTE used to develop the “Maintenance” value on Line 27 in GTE’s ADSL cost study of the Rate Element “ADSL Bronze – Month to Month” was developed and of the intended function of each term in that formula.

E. Administration and Marketing Factor Questions

- 1) Please provide a detailed breakdown of the specific types of cost that are reflected in the “Administration/Marketing” annual cost shown on Line 28 of GTE’s ADSL cost studies.
- 2) Please provide the specific formula or factor that GTE used to develop the “Administration/Marketing” value shown on Line 28 in GTE’s ADSL cost study of the Rate Element “ADSL Bronze – Month to Month.”
- 3) Please provide a detailed description of how the formula or factor that GTE used to develop the “Administration/Marketing” value on Line 28 in GTE’s ADSL cost study of the Rate Element “ADSL Bronze – Month to Month” was developed and of the intended function of each term in that formula.

F. “Other” Factor Questions

- 1) Please provide a detailed breakdown of the specific types of cost that are reflected in the “Other” annual cost shown on Line 30 of GTE’s ADSL cost studies.
- 2) Please provide the specific formula that GTE used to develop the “Other” value shown on Line 30 in GTE’s ADSL cost study of the Rate Element “ADSL Bronze – Month to Month.”
- 3) Please provide a detailed description of how the formula that GTE used to develop the “Other” on Line 30 in GTE’s ADSL cost study of the Rate Element “ADSL Bronze – Month to Month” was developed and of the intended function of each term in that formula.
- 4) Using the specific values in GTE’s ADSL cost study of the Rate Element “ADSL Bronze – Month to Month,” please provide a detailed explanation of why the factor that GTE uses to determine the “Other” values shown on Line 30 of its cost studies varies based on the service type (Bronze, Silver, Gold and Platinum), service term and volume commitment. Please insure that GTE’s explanation provides sufficient detail to allow parties to derive the value that GTE actually used in its studies for each service type, term and volume commitment.

IX. Questions Related to Price Floors and Imputation Tests: the following questions are designed to discover how GTE's proposed ADSL prices would be affected by state regulations if it were considered an intrastate service.

- A. Identify each of the 14 states in which GTE proposes to introduce ADSL service that currently requires GTE to meet price floor or imputation requirements as part of a filing or other request to introduce a new service. For each state with such requirements, provide a summary of the state-specific guidelines for calculating a price floor or performing an imputation test.
- B. For each state in which GTE is subject to price floor and/or imputation regulations, please show the calculations and result of applying the required test as if GTE had filed its proposed ADSL service tariff in the intrastate jurisdiction. To the extent that establishing the price floor or performing the test requires the use of state-specific cost or price data, please specifically identify the source of the data used and generally describe when and for what purpose the inputs were developed.